GLOBAL REACH
LOCAL NEEDS
Annual Review 2011

THE LAST 12 MONTHS

VisionFund INTERNATIONAL
VisionFund is a network of microfinance institutions focused on helping poor children around the world achieve a better quality of life. With help from VisionFund, families and communities can unlock practical and long-term opportunities to build their way out of poverty.

VisionFund is the microfinance subsidiary of World Vision. Starting in 1993, World Vision began to implement microfinance programming through the creation and development of Microfinance Institutions (MFIs) in countries where World Vision works to benefit the economically active poor. In 2003, World Vision created VisionFund International to oversee and manage the network of affiliated MFIs.
Children are eager to learn at the Beketitu Elementary School in Boset, Ethiopia. As family businesses thrive, parents can afford to send their children to school.

Travelling in Ethiopia, one VisionFund client after another told me that the business loans they had received enabled them to generate an income, allowing them to send their children to school, get medical care or employ others.

That was encouraging, and this annual review reminds us of the ways in which VisionFund’s work is growing and being focused. It has responded to global economic trends by targeting countries and regions where small loans can do the most good for children, families and communities. VisionFund continues to work closely with World Vision to strengthen those who have been affected by injustice and disasters. The most vulnerable are supported while those who can run small businesses to build routes out of poverty can help lift the fortunes of whole communities.

We are grateful for the support of those who invest in VisionFund’s work, and look forward to partnering with you in the future.
THE STRENGTH IN WORKING TOGETHER

It’s not unusual to hear surprise from lenders, donors or industry colleagues as we describe our growing network’s reach and impact on the lives of 2.2 million children through the loans and financial services that we provide to over 650,000 of the world’s poor. This year we have seen our 5,000 staff in 38 countries help more rural clients than ever before lift themselves from hardship and suffering, despite natural disasters and difficult economic environments. Our aim is to be improving the lives of 3.5 million children every year from 2015.

2011 has seen tremendous developments in pursuit of this aim. We have started to rebrand our microfinance institutions to bring stronger cohesion, we have made improvements to our infrastructure, strengthened our risk management framework and looked for new sources of funding. We have been particularly encouraged by donors, lenders and consultants offering their generous support.

Our development work with World Vision in food security in Africa is starting to take shape. We are developing small farm groups, improving farmers’ skills in food production and finance. Operating together enables them to gain better access to markets, increased prices for their harvest and access to crop insurance and savings to protect their assets and families.

We are particularly pleased with the people we are attracting to our network both at senior levels - where we now have over 150 years of banking experience; and in roles with our clients - where staff are trained to provide the right financing in a respectful and caring manner.

Please read on as we lay out the details of our strategy, the children whose lives will be changed, and hear from the people that are building their own routes out of poverty, through hope and with God’s help.

From our Chairman and our Chief Executive Officer

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Chairman of the Board
VisionFund International

Scott Brown
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Our new strategy aims to make a difference to the lives of 3.5 million children a year by 2015. We are starting with a ‘big push’ in Africa and Asia. So far we have made a huge impact in Ethiopia, Tanzania, Cambodia and the Philippines. In East Africa we serve more than 100,000 clients, benefiting more than 650,000 children. In Asia we have helped more than 200,000 clients, impacting on the lives of more than 750,000 children. We can make a huge difference with an average loan of just $300. In Africa, most people live on less than $2 a day. Just $1,000 can transform the lives of 31 children. In Asia, the same sum will reach 14 children. We are working to tackle poverty all over the world and by focusing on Africa and Asia we can help more poor children have a better quality of life.

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We work in partnership with World Vision to provide financial services alongside development projects to make the greatest impact. Because we are part of World Vision - a Christian relief, development and advocacy organisation, we are known and trusted by the communities we serve and create practical and long-term opportunities for this generation and the next.

VisionFund loans and other financial services help people turn their ideas into small businesses to support their families. The income they make funds a better life for their families. This can mean fewer children in poverty and more children growing up in healthier and safer communities.

All children deserve to grow up in a world where they can fulfil their potential. Targeting some of the poorest communities, many of the 3.5 million children we will reach every year, over the next three years, will be in Africa and Asia.
In 2011 VisionFund worked with more than 650,000 small businesses in 38 countries, across four regions - Africa, Asia, Latin and Central America and the Middle East and Eastern Europe. This year we made a positive impact on the lives of 2.2 million children. By 2015 we aim to reach 3.5 million children every year.

Our strategy will see us working through a smaller network of 24 well developed and professional finance providers in Africa, Asia and Latin and Central America. The success of our work in the Middle East and Eastern Europe has resulted in these financial institutions becoming strong enough to continue their work outside the VisionFund network.

We will strengthen the network of VisionFund partners to ensure that all our financial services operate to the same high standards across the regions. By identifying the best performers, we will help others to learn from them and share in their success. We are also exploring the consolidation of some of our services to achieve a higher level of efficiency.

VisionFund staff understand their clients’ needs and culture. As well as providing financial services, they can also give trusted advice and share their knowledge. We plan to invest more in training our people to increase their positive impact on communities.

We are working to ensure secure and sustainable funding to enable all our VisionFund partners to thrive and offer a wider range of services. Resources will move from the Middle East and Eastern Europe to fund our Big Push in Africa and Asia.

Having provided life insurance for many years, we are now working with partners to provide greater access to crop and health insurance. Most clients borrow modest sums to develop businesses. Once they are making a living, they may be in a position to save for the future. VisionFund will also offer them a safe place for their hard earned money to grow, so it is there when they need it.

“This year we made a positive impact on the lives of 2.2 million children. By 2015 we aim to reach 3.5 million children every year.”
Our continued focus on serving rural areas is expensive. In order to serve the communities where others do not, we rely on the generous gifts of our supporters. This generosity has enabled us to offer life-changing financial services to people living in poverty. Our new strategy to impact more children’s lives means we need to ensure a growing level of support and funding.

VisionFund has been funded primarily by World Vision, through donations collected by its fundraising offices to promote economic development in some of the world’s poorest countries. We are continually grateful for the support we gain from being part of the World Vision partnership. This will remain central as we work in partnership with development projects.

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Over the next three years, we plan to become more self-supporting by developing new sources of funding for our work. As we begin our Big Push in Africa and Asia we will re-deploy VisionFund capital from the Middle East and Eastern Europe. We will also build new relationships with corporations, foundations and individuals who want to help children and their families build their way out of poverty.

By 2014 we aim to have half our funding generated directly by VisionFund from individuals, corporations and grant funders. We aim to become the first choice for individuals, groups and corporations who want to support our distinct approach to tackling poverty. This will allow us to support the growth of a stronger VisionFund network.
We see huge benefits in being able to work together as a global network and yet ensure local boards and management have the flexibility to meet client needs within each context. Our new strategy aims to balance the global reach with the local needs.

Standards, audit, systems, governance, risk management and finance all bring strong discipline, improved quality and better control. Bulk purchasing as a network can drop expenses including debt costs. However, products need to be adaptable for different environments and the personal needs of our clients throughout the world.

We are a truly global organisation, making a huge impact. We can be justifiably proud of all we have achieved so far.

We are moving to a new identity, united under a single VisionFund brand. This will change the way we organise and present ourselves to supporters, funders and clients but it will not change the great relationships we have built with our local communities. The greatest benefit will be to ensure that we act as one organisation within the World Vision partnership. We will speak collectively with one voice.

Our distinctive way of working together with World Vision and our Christian led approach to how we serve and look after our clients mark us apart from other organisations. As we grow over the next three years, the new VisionFund network can be seen as the mark of quality in financial services for developing economies. Under a strong single brand, our work can be more easily recognised by our supporters. This will be more important than ever as we work towards our target of impacting the lives of 3.5 million children per year by 2015.

“We are a truly global organisation, making a huge impact. We can be justifiably proud of all we have achieved so far.”
Risk is a natural part of VisionFund’s operations as we take calculated risks in pursuit of our objective to change the lives of children living in poverty. As a financial services institution, VisionFund faces a range of risks encompassing Strategic, Financial, Operational and Social Performance risks.

The governance of risk management in VisionFund is led by the Board Risk Committee. The priorities of this Committee are to oversee the framework which structures our approach to risk management and to guide the Board in setting its risk appetite and risk tolerances.

The Management Risk Committee comprises senior executives and reviews risk management at a more detailed level. It makes use of tools such as risk registers and risk indicators to understand and monitor the risks that the organisation faces, as well as assessing the effectiveness of the risk mitigation strategies that are in place.

The work of these risk committees is supported by an independent enterprise risk function that is responsible for the overall risk management framework and for spreading best practice risk management throughout the network of VisionFund MFIs. Risk management also works closely with internal audit in delivering assurance to our management and Board that effective controls are in place to support the taking of risk as we aim to benefit the world’s poorest children.

KEEPING RISK UNDER CONTROL

Establishing a new enterprise can be a risky business. With the right training and a small loan from our microfinance institution in the Dominican Republic, students are well on the way to creating a successful business to support them and their families.
In 2011, our primary focus was to develop strong local boards. This has been achieved through rebuilding boards, by placing skilled and experienced board members on them according to the board life stage. Particular focus was given to providing clarity to decision rights within the network, to ensure decision-making is efficient and local board oversight is effective.

Our focus in 2012 will be providing boards with the tools to help themselves become more effective and to measure this effectiveness. By allowing our boards to rate their effectiveness, we expect them to identify and close performance gaps. It will also enable us to be more strategic in board development and other governance support initiatives, and will provide us a window into the quality of governance and oversight in place.
OUR SUPPORTERS

We are hugely grateful to our supporters who have given expertise to our network of microfinance institutions. In particular:

A valued partnership has developed over the past 12 months with Oliver Wyman, a global strategic consultancy firm for the financial sector. This started with a significant corporate pro-bono project in early 2011, piloting an in-depth strategic review of our microfinance institution in the Philippines, together with some central sustainable funding analysis.

Both have proved invaluable inputs to our strategic planning process and work followed up by individual Oliver Wyman volunteers, undertaking strategy reviews for VisionFund in Malawi and Senegal. We look forward to further building this partnership together.

ENVIRONMENTAL SUSTAINABILITY

The ‘Light-up Lives’ project in Kenya, provides rural communities with affordable and sustainable solar lighting for household use. It can also be used to help clients establish a business selling solar units within their own communities. This project enables World Vision Kenya, and our microfinance institution, to work in partnership to benefit the local community.

REINVESTING IN COMMUNITY INFRASTRUCTURE

Many of the streets in Georgian towns did not have street signs, making it difficult for people to find streets or names of particular buildings. With the support of the local municipalities Credo, our Georgian microfinance institution, worked with the local community to invest in designing street signs.
Srey Ny, of Cambodia, has recovered from dengue fever. Her parents, who raised some income from fishing and selling groceries, had to borrow money for her life-saving treatment. Since 2009, Srey Ny’s parents have been able to buy fishing materials and expand their grocery business through loans from VisionFund.

“After getting the loan from VisionFund, my family’s living conditions are getting better and my life has changed a lot. Now I can have three meals a day with meat, vegetable, fruit and especially clean water. Moreover, my health is also good right now. I’m staying in school as I want to be a doctor in the future.”

We are thankful to our supporters, Bankers with Vision, a programme of volunteering financial service professionals who have introduced us to Standard Chartered Bank. Standard Chartered have conducted quarterly mentoring meetings to our senior staff and given advice and guidance in various areas of risk management. We have piloted a risk management toolkit which they developed for use alongside MicroSave. They plan to roll this out more widely in 2012.

We also thank Fairfield County Microenterprise Investors Council who have supported VisionFund in a number of countries over the years including Ecuador, Dominican Republic and now Senegal.
**TOTAL GLOBAL FINANCIAL STATISTICS**

- **Number of Children Impacted**: 2,180,982
- **Number of Active Borrowers**: 690,347
- **Number of Jobs Impacted**: 1,578,014
- **Number of Female Clients (as %)**: 69
- **Gross Portfolio (in $)**: 360,251,761
- **Average Client Loan Size (in $)**: 582
- **Repayment Rate (as %)**: 96.8
- **Operational Sustainability (as %)**: 106
- **Number of Staff**: 5,308

*all monetary figures are in US Dollars and are current as of 30 September 2011

**SOCIAL IMPACT**

- **Number of Children Impacted**: LAC 316,697, AFRICA 827,674, MEER 335,351, ASIA 701,260
- **Number of Active Borrowers**: LAC 124,176, AFRICA 160,357, MEER 182,028, ASIA 223,786
- **Number of Jobs Impacted**: LAC 507,804, AFRICA 435,836, MEER 312,441, ASIA 321,933
- **Number of Female Clients (as %)**: LAC 71, AFRICA 68, MEER 44, ASIA 88
- **Gross Portfolio (in $)**: LAC 68,717,123, AFRICA 28,492,253, MEER 205,524,390, ASIA 57,517,995
- **Average Client Loan Size (in $)**: LAC 660, AFRICA 291, MEER 1,230, ASIA 312
- **Repayment Rate (as %)**: LAC 96.3, AFRICA 94.7, MEER 98.6, ASIA 98.9
- **Operational Sustainability (as %)**: LAC 97, AFRICA 84, MEER 115, ASIA 106
- **Number of Staff**: LAC 1,046, AFRICA 1,336, MEER 1,544, ASIA 1,382

**FINANCIAL**

**WHERE VISIFONFUND WORKS**

- **LATIN AMERICA & CARIBBEAN**: Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru
- **AFRICA**: Ethiopia, Ghana, Kenya, Malawi, Mali, Rwanda, Senegal, Tanzania, Uganda, Zanzibar
- **MIDDLE EAST & EASTERN EUROPE**: Albania, Armenia, Kosovo, Samoa, Serbia, Moldova, Montenegro, Tajikistan, Uzbekistan
- **ASIA**: Cambodia, India, Indonesia, Mongolia, Myanmar, Philippines, Sri Lanka, Thailand, Vietnam
VisionFund working in partnership with World Vision delivers a sustainable future for poor local communities across the world.

This year we have seen our 5,000 staff in 38 countries help more rural clients than ever before.
Mecky, 8, proudly shows off tomatoes harvested at her family’s farm in Kenya. A large harvest has allowed Mecky’s parents to care for her and her brothers and sisters.